

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 /071 W

----- 014214

R 210931Z AUG 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3905

INFO AMCONSUL ZAGREB

UNCLAS BELGRADE 4391

ZAGREB PLEASE PASS AMBASSADOR

E.O. 11652: N/A

TAGS: ETRD, EALR, YO

SUBJECT: FOREIGN TRADE TRENDS 7-MONTH DATA

SUMMARY: DATA FOR 7 MONTHS CONFIRMS CONTINUING DETERIORATION OF EXPORTS TO WESTERN EUROPE AND A GROWING TRADE DEFICIT. IMPORT RESTRICTION HAVE APPARENTLY CONTRIBUTED TO A DECLINE IN IMPORT IN JULY AND AUGUST. END SUMMARY.

1. UNOFFICIAL DATA FOR FIRST 7 MONTHS OF 1975 SHOW YUGOSLAV EXPORTS (VALUE) INCREASED 3 PERCENT AND YUGOSLAV IMPORTS (VALUE) ROSE 9 PERCENT IN COMPARISON WITH SAME PERIOD 1974. ACTUAL VOLUME OF BOTH EXPORTS AND IMPORTS IS LESS IN 1975 THAN IN SAME PERIOD 1974. INDEX OF REAL EXPORTS IS 91.5 AND OF REAL IMPORTS 99.5. ACCORDING TO TANJUG , 7-MONTH TRADE DEFICIT IS ABOUT DOLS 2.27 BILLION.

2. GEOGRAPHIC STRUCTURE OF FOREIGN TRADE SHOWS EXPORTS (VALUE) TO DEVELOPED COUNTRIES DECREASED 25 PERCENT IN FIRST 7 MONTHS COMPARED TO JANUARY-JULY 1974, WHILE IMPORTS (VALUE) FROM DEVELOPED COUNTRIES INCREASED 12 PERCENT. YUGOSLAV EXPORTS TO EASTERN EUROPEAN COUNTRIES ROSE 23 PERCENT AND YUGOSLAV IMPORTS FROM EASTERN EUROPE INCREASED 8 PERCENT. YUGOSLAV UNCLASSIFIED

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EXPORTS TO LDCS ROSE 63 PERCENT IN FIRST 7 MONTHS, ALTHOUGH

FROM A SMALL BASE, WHILE IMPORTS FROM LDCS WERE AT ABOUT LAST YEAR'S 7-MONTH LEVEL.

3. OFFICIAL 6-MONTH DATA GIVE FLAVOR OF DISAPPOINTING TRADE PERFORMANCE WITH KEY WESTERN EUROPEAN TRADING PARTNERS. YUGOSLAV EXPORTS TO WEST GERMANY VALUED AT DOLS 152 MILLION AND YUGOSLAV IMPORTS FROM WEST GERMANY VALUED AT DOLS 719 MILLION. YUGOSLAV EXPORTS TO ITALY VALUE AT DOLS 178 MILLION AND YUGOSLAV IMPORTS FROM ITALY VALUED AT DOLS 477 MILLION. WESTERN EUROPEAN COUNTRIES ACCOUNT FOR ABOUT 67 PERCENT OF TOTAL 6-MONTH TRADE DEFICIT.

4. YUGOSLAV-US TRADE IS NOT AS BALANCED AS IN 1974. YUGOSLAV EXPORTS TO US (DOLS 126 MILLION) ARE 14 PERCENT LESS THAN IN FIRST 6 MONTHS 1974, WHILE YUGOSLAV IMPORTS FROM US (DOLS 220 MILLION) ARE UP 18 PERCENT.

5. YUGOSLAV-SOVIET TRADE IS INCREASING IN 1975 WITH YUGOSLAV EXPORTS TO RUSSIA UP 69 PERCENT OVER FIRST 6 MONTHS 1974 LEVEL AND YUGOSLAV IMPORTS FROM THE USSR UP 7 PERCENT. YUGOSLAVIA HAS A 6-MONTH POSITIVE TRADE BALANCE OF DOLS 71 MILLION WITH USSR.

6. IN FIRST 6 MONTHS YUGOSLAV IMPORTS OF EQUIPMENT INCREASED 52 PERCENT. IMPORTS OF RAW MATERIALS AND SEMI-MANUFACTURES INCREASED ABOUT 12 PERCENT; CONSUMER GOODS IMPORTS DECREASED ABOUT 22 PERCENT.

7. EXPORTS OF RAW MATERIALS AND SEMI-MANUFACTURES, PRODUCTS OF CHEMICAL INDUSTRIES, NON-FERROUS METALS, AND FURNITURE CONTINUE TO BE DISAPPOINTING IN 1975.

8. IMPORT RESTRICTIONS INTRODUCED EARLIER TO PROTECT EXTERNAL LIQUIDITY HAVE APPARENTLY CONTRIBUTED TO SLOWDOWN OF TRADE ACTIVITY IN JULY 1974. PRELIMINARY DATA FOR AUGUST INDICATE THIS TREND IS CONTINUING. WHILE NORMAL SLACKENING IN INDUSTRIAL ACTIVITY DURING TRADITIONAL VACATION PERIOD MAY PARTLY EXPLAIN THIS DROP IN IMPORTS, THE UNCERTAINTY AS TO HOW YUGOSLAVIA'S IMPORT RESTRICTIONS "LINKING IMPORTS TO EXPORTS" WILL BE ADMINISTERED AND THE BACKLOG OF APPLICATIONS FOR IMPORT

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LICENSES ARE ALSO PROBABLY SIGNIFICANT FACTORS.

9. ON POSITIVE SIDE, YUGOSLAVIA IS ENJOYING A RECORD TOURIST YEAR AND INVISIBLE EARNINGS FROM TOURISM SHOULD EXCEED LAST YEAR'S LEVEL. INVISIBLES BOTH FROM WORKERS' REMITTANCES AND TOURISM WILL NOT COVER TRADE DEFICIT, HOWEVER, AND YUGOSLAVS ARE FORECASTING CURRENT ACCOUNT DEFICIT OF ABOUT DOLS 1.2 BILLION.

10. COXTENT: SIX AND SEVEN MONTH TRADE FIGURES CONFIRM  
CONTINUPCG TREND OF POOR EXPORT PERFORMANCE IN WESTERN EUROPE  
AND A GROWING TRADE DEFICIT. IMPORT RESTRICTIONS MAY OFFER SOME  
TEMPORARY RELIEF FROM FURTHER DETERIORATION IN LAST FIVE MONTHS  
1975 BUT WITH PHYSICAL VOLUME OF IMPORTS ALREADY BELOW 1974  
LEVEL AND IMPORTS OF CONSUMER GOODS FAR BELOW LAST YEAR, IT IS  
UNLIKELY YUGOSLAV TRADE BALANCE  
CAN BE SIGNIFICANTLY IMPROVED  
IN THIS WAY. YUGOSLAV INDUSTRIAL PRODUCTION IS DEPENDENT UPON  
IMPORTS OF RAW MATERIALS AND SEMI-MANUFACTURES THAT MAKE  
UP 70 PERCENT OF GLOBAL IMPORTS AND BASIC IMPROVEMENT ON  
TRADE SIDE MUSGNBUCRHNAM EXPANDED EXPORTS. RECENT MOVES  
TO REDUCE PRICES OF CONSUMER GOODS MAY HELP MAKE THEIR EXPORT  
MORE COMPETITIVE AND IT APPEARS LIKELY PRICES OF SOME RAW  
MATERIALS, ESPECIALLY NON-FERROUS METALS, WILL BE LOWERED IN  
SEPTEMBER OR OCTOBER. THESE AND OTHER MEASURES, SUCH AS  
SPECIAL CREDIT FOR EXPORT PRODUCTION, MAY MARGINALLY IM-  
PROVE YUGOSLAV EXPORT PERFORMANCE, BUT IT APPEARS FUNDAMENTAL  
TURNAROUND AWAITS INCREASED DEMAND IN WESTERN EUROPEAN  
MARKETS. END COMMENT.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE BALANCE, ECONOMIC TRENDS, IMPORT CONTROLS, TRADE DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BELGRA04391  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750289-0578  
**From:** BELGRADE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750829/aaaaaypy.tel  
**Line Count:** 136  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** hartledg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 FEB 2003 by ReddocGW>; APPROVED <23 JAN 2004 by hartledg>  
**Review Markings:**  

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN TRADE TRENDS 7-MONTH DATA SUMMARY: DATA FOR 7 MONTHS CONFIRMS CONTINUING DETERIORATION  
**TAGS:** ETRD, EALR, YO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006